

**PROPERTY TAX
State Aid Payment Dates Modified**

March 16, 2023

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 2963 (Gomez) as introduced

Fund Impact

	F.Y. 2024	F.Y. 2025	F.Y. 2026	F.Y. 2027
	(000's)			
General Fund	(\$448,400)	\$1,600	(\$30)	(\$30)

Effective for aids payable in calendar year 2024 and thereafter.

EXPLANATION OF THE BILL

The bill would modify the state aid payment dates to local governments. Under current law, the payment of numerous state aids to local governments are made in two installments on July 20 and December 26.

The proposal would change the payments to two installments on March 15 and December 26. The proposal would also change some single date full payments to two installments.

REVENUE ANALYSIS DETAIL

- The estimates are based on the February 2023 forecast.
- Changing the payment dates for aids and credits creates a shift in state expenditures. The main impact occurs in the initial fiscal year, as a portion of the aids and credits paid at the beginning of the fiscal year (July and August) are shifted into the previous fiscal year. The impact of the shift in subsequent years is calculated as the difference between forecasted amounts to be paid under current law and the effect of shifting those amounts to the previous fiscal year.
- There are 13 state aid and credit payments that would be impacted by the date changes: Local Government Aid (LGA) to cities, County Program Aid (CPA), Township Aid, Disparity Reduction Aid (DRA), Payment in Lieu of Taxes (PILT), Out of Home Placement Aid, Riparian Protection Aid, Aquatic Invasive Species Prevention Aid, Homeless Prevent Aid, Supplement Taconite Homestead Credit, Utility Valuation Transition Aid, Performance Measurement Reimbursement, and Taconite Aid Reimbursement. For CY 2024, these aids and credits totaled approximately \$939 million.
- 10 of the 13 aids currently being paid in two installments in the same fiscal year would have the first installment shifted to the previous fiscal year. Under the proposal, the first installment payment on March 15 would shift 50% of the total payment into the previous fiscal year. In the first year, the payment amount shifted from FY 2025 to FY 2024 would be approximately \$448 million.
- Three of the aids are currently paid in full on the first or second installment date. Under the proposal, these payments would be paid in two installments on July 20 and December 26, so there would be no fiscal year shift in payments.

PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

<i>Transparency, Understandability, Simplicity & Accountability</i>	Neutral	
<i>Efficiency & Compliance</i>	Neutral	
<i>Equity (Vertical & Horizontal)</i>	Neutral	
<i>Stability & Predictability</i>	Neutral	Shifting some state aid payment dates to earlier in the calendar year may provide greater cash flow stability for local governments.
<i>Competitiveness for Businesses</i>	Neutral	
<i>Responsiveness to Economic Conditions</i>	Neutral	

The bill is scored on a three-point scale (decrease, neutral, increase) for each principle in comparison to current law.

Source: Minnesota Department of Revenue
Property Tax Division – Research Unit
<https://www.revenue.state.mn.us/revenue-analyses>

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